

CLASSIFICATION CONFIDENTIAL		REPORT
CENTRAL INTELLIGENCE AGENCY		CD NO.
INFORMATION REPORT		
COUNTRY USSR	DATE DISTR. 17 Dec 1953	
SUBJECT Methods and Channels Utilized in Planning Construction of Soviet Factories	NO. OF PAGES 4	
PLACE ACQUIRED 	NO. OF ENCLS. 1 (LISTED BELOW)	
DATE ACQUIRED BY 	SUPPLEMENT TO REPORT NO. 	
DATE (OF INFO)	25X1	
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1. The People's Commissariat (later referred to in the USSR as Ministry) of Construction (Narodni Kommissariat Straitelstva) had two main sections - Planning and Construction. This Narkom (Narodni Kommissariat) built new factories and reconstructed or improved old ones. The Chief Planning Administration (Glavniya Upravleniya Proyektirovaniya - or GLAVK) of the Construction Narkom made the technical plan for each factory. This GLAVK (Glavniya Upravleniya Narkomata) had several planning sections, or trusts, under it, such as GIPROMACH (Gosudarstvenoi Institut Proyektirovaniya Machina Straeniya - Government Planning Institute of Machine Building). There were also planning sections covering such activities as agricultural construction, aviation, electric machines, textile machines, and transport (railroads, bridges, roads). See enclosure for a sketch indicating relationship and organization of certain units of the Soviet Government concerned with construction planning. It gives a sample breakdown of one of the Narkoms. This chart is intended to supplement following portions of this report.
2. The Industrial Bank allocated funds for the Five Year Plan worked out by GOSPLAN. The Bank had many branches throughout the USSR and exercised extensive control, ie it gave funds to each factory, checked on progress being made, and, if satisfied, provided the necessary additional funds. When a factory received notice from the Bank that an account had been opened to finance planned work (construction or improvement), the Planning Section of the Construction Narkom drew up a Technical Plan (Technichiski Project) for the construction of a new plant or the improvement of an existing one. This included: the details of planned production (technologichiskaya zapiska), actual plans for buildings and machines (the technichiski project proper), and the cost calculations (smeta). Calculations were made to cover a period of one year. The amounts, in millions of rubles, to be spent for

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the project were broken down by quarter (three months). The quarterly activity of supporting plants was also indicated. The actual detailed planning was done locally, for example in Kharkov. Trest (Trust) No 26 in Kharkov was under the Construction Narkom. The Trust had a section which handled matters pertaining to approval of technical plans for building of factories. It would reconcile plans of GIPROMACH in Moscow with local conditions or present alternate ideas. The section would also indicate whether planned construction was feasible in that area and whether necessary building materials were obtainable locally. It was general practice to attempt to obtain as much money as possible for a project, so that the construction trust would not run short of funds. Basic costs were two: labor and materials. Construction materials, as well as labor, had set costs. It was possible, however, to adjust them to local conditions, as such questions as cost of transportation had to be considered.

3. Construction planning is done in a certain chronological order and goes through certain channels. The Construction Narkom's planning section dealing with machine building, for example, draws up a technical plan for the construction of a new plant or the improvement of an existing one. The detailed planning is done in the area where the factory is to be built, such as in Kharkov. Then the chief of the cost-agreement section of a construction trust, such as Trust No 26 in Kharkov, is consulted. The Trust comes under the construction section of the Construction Narkom. The technical plan then is sent to Moscow, to the OKS (Otdel Kapital'nova Straitel'stva - Major Construction Section) of the GLAVK (Glavnaya Upravleniya Narkomata - Chief Administration of the Narkom) of the Narkom which will have jurisdiction over the new plant. For example, it could be the NKSM (Narkom Srednevo Machina Straieniya - Medium Machine Building Narkom). The GLAVK forms a commission consisting of one representative each of the OKS, the factory, and the construction trust. The factory representative is an engineer and the man from the trust is the chief of the cost-agreement section. The commission goes over the plan and makes adjustments in equipment and costs. The technical plan then goes up to the Otdel Expertiza (Expertise Section). This group operates primarily under the GOSPLAN, but also under the Industrial Bank, and is on a higher level than a Narkom. The experts check all plans - as to cost calculations, equipment, scheduling, time at which funds should be made available - and reach a compromise solution. The GOSPLAN, if necessary, orders other plants to support the new factory with products to be made available at the time they are needed. For an individual to take part in construction planning, it is important for him to know well pertinent regulations and the rights of groups involved. As can be seen from the above, it is the Expertise Section which makes the decision on the final amount and determines the time at which work will be done.
4. The construction trust representative, with his assistants, works out a time limit for the final technical plan. This is done by the representative in Moscow, so as to save time. It is also advantageous to the construction trust to have its man working on the final technical plan, as the trust can better keep the initiative in its drive to obtain adequate financing. At an earlier stage of the proceedings, when the plan is before the Expertise Section, the trust representative attempts to get redistribution of funds for the preferred quarters, i.e. the summer period. This is difficult to do, but by indicating to the experts that it would be desirable to do so when one considers the activities of supporting plants (steel, cement), it may be accomplished. When the details of the final technical plan have been worked out, it is submitted to the appropriate Narkom for approval. It is then sent to GOSPLAN which, after approving it, sends it to the All-Union Council of Narkoms (Ministers). It is this body which gives the final word of approval. Once the technical plan has emerged from the Narkom section, its course through the above-mentioned upper echelons is smooth, for the experts are trusted. The technical plan covers a period of one year and its approval guarantees financing.

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If the work scheduled to be done during the year is not completed, it of course must be carried over to the next year and must be refinanced.

5. Copies of the approved plan are distributed as follows: one to the Construction Morkom, which then transmits it to the appropriate construction trust, such as the one in Kharkov; one to the Industrial Bank; and one to the appropriate Morkom, such as the Medium Machine Building Morkom, which transmits it to the factory concerned. Finally, a subdivision (such as GIPROMMACH) of the planning section of the Construction Morkom, working from the approved plan, makes up a Work Plan (Rabochi Proekt) for the new plant. This plan consists of detailed drawings dealing with thickness of walls, types of windows, machines, and foundations.

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ENCLOSURE (A): Chart of Certain Units of the Soviet Government Concerned with Construction Planning, 1941.

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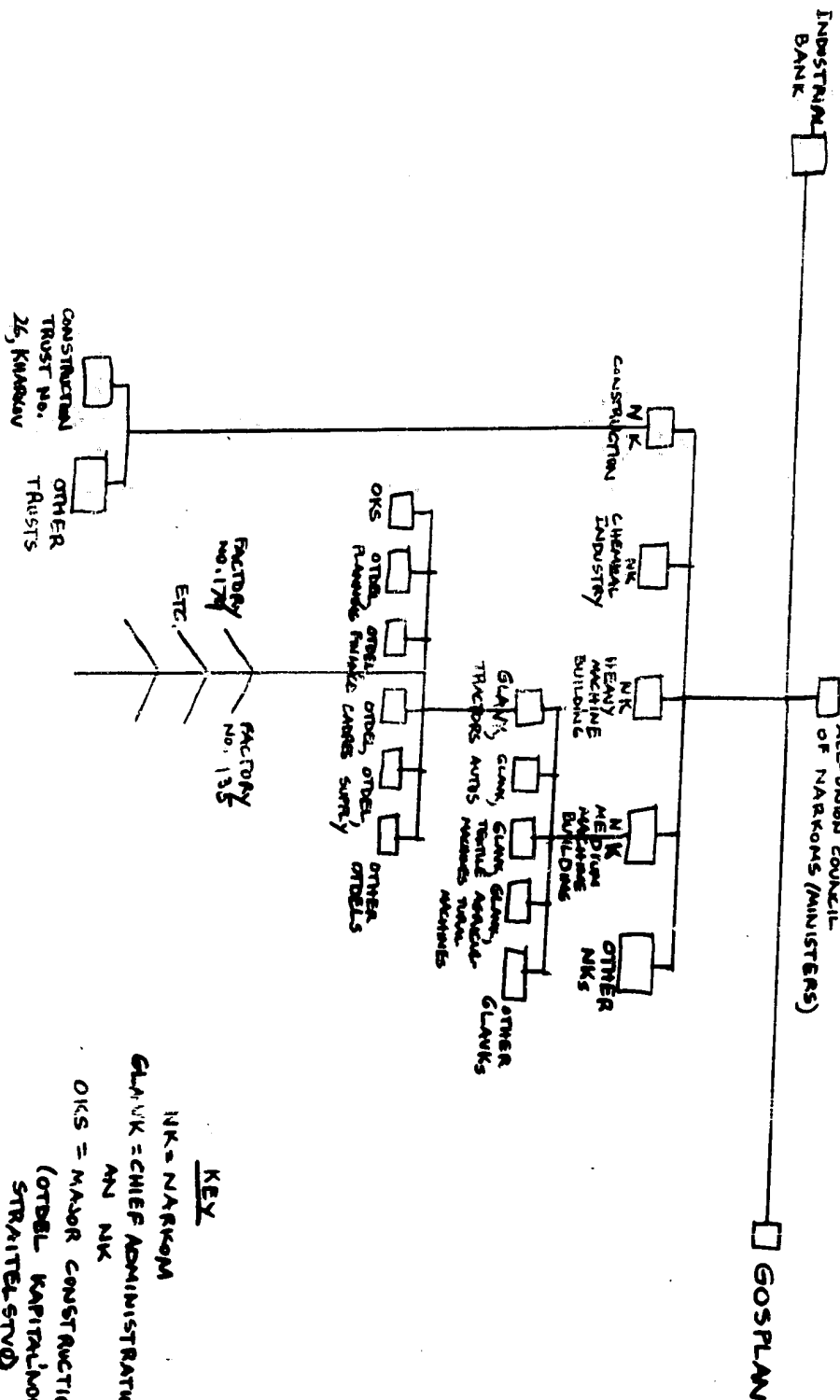
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ENCLOSURE - A

CHART OF CERTAIN UNITS OF THE SOVIET GOVERNMENT
CONCERNED WITH CONSTRUCTION PLANNING, 1941



KEY
NKS = NARKOM
GLAVK = CHIEF ADMINISTRATION OF
AN NIK
OKS = MAJOR CONSTRUCTION SECTION
(OTDEL KAPITALNOYA
STRAITELSTVO)

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